
OLR Bill Analysis

sSB 460

AN ACT CONCERNING HOSPITAL CONVERSIONS AND OTHER MATTERS AFFECTING HOSPITALS.

SUMMARY:

This bill generally bars applications for nonprofit hospitals to transfer ownership or control to for-profit entities, starting October 1, 2014. It expands requirements for the public health (DPH) commissioner's and attorney general's review and approval of such transactions for applications filed before then.

Starting October 1, 2014, it also extends approval requirements to hospital transfers where all parties are nonprofits, under a generally similar process. It creates an expedited process for nonprofit-only transfers if the hospital seeking to sell itself is in financial distress and certain other criteria are met.

Among the changes affecting applications filed before October 1, 2014 to transfer to a for-profit entity, the bill (1) specifies the threshold change in ownership or control that requires approval; (2) considerably expands the information the parties must submit with the application; (3) requires the purchaser to pay for an independent health care access monitor to oversee the new hospital for five years; and (4) requires the purchaser to reimburse the municipality where the hospital is located for grants in lieu of taxes that the town would have received had the conversion not occurred.

It allows the commissioner, in consultation with the attorney general, to adopt regulations to carry out the purposes of the bill and existing law regarding hospital conversions of all types (§ 13).

The bill makes other changes affecting hospitals. It:

1. specifically requires a certificate of need (CON) for hospitals

seeking to terminate inpatient or outpatient reproductive services (§ 14);

2. extends to for-profit hospitals a current reporting requirement for nonprofits regarding transfers to for-profit entities (§ 15);
3. authorizes state general obligations bonds, in an unspecified amount, for DPH to provide grants for nonprofit hospitals' capital improvements (§ 16); and
4. requires the DPH and social services (DSS) commissioners to review and report on their agencies' hospital regulations (§ 17).

The bill also makes minor, technical, and conforming changes.

EFFECTIVE DATE: Upon passage, except for (1) the bonding authorization, which is effective July 1, 2014, and (2) the provisions on an independent monitor, grants in lieu of taxes, authority for the DPH commissioner to adopt regulations, nonprofit-only conversions, CON for hospital reproductive services, and for-profit hospital reporting, which are effective October 1, 2014.

§ 1 — BAN ON HOSPITALS CONVERTING TO FOR-PROFIT FOR APPLICATIONS FILED ON OR AFTER OCTOBER 1, 2014

By law, a nonprofit hospital needs approval of the attorney general and DPH commissioner to transfer a material amount of its assets or operations or to change the control of its operations to a for-profit entity. Any such agreement without their approval is void. Neither current law nor the bill define “material amount” and it is not clear whether all such transactions constitute “conversions,” as defined by the bill (see below).

The bill allows applications filed before October 1, 2014 to proceed, subject to new requirements set forth below. But it otherwise bans nonprofit hospitals from entering such agreements with for-profit entities.

The bill also specifies that the ban does not apply to any for-profit hospital operating in Connecticut on May 12, 2004 (i.e., Sharon

Hospital).

§ 2 — DEFINITION OF CONVERSION

While transactions involving the sale of a nonprofit hospital to a for-profit entity are often referred to as hospital conversions, the term “conversion” does not appear in the current statutes governing these transactions. The bill adds a definition of “conversion,” although it retains existing language regarding when these statutes apply (the transfers described above).

Under the bill, a “conversion” is any transfer of a nonprofit hospital’s assets or operations that results in:

1. a 20% or greater change in the ownership, control, or possession of the hospital’s (a) voting rights or interests or (b) assets;
2. a person previously unaffiliated with the hospital possessing 10% or more of the hospital’s (a) voting rights or interests or (b) assets; or
3. the removal, addition, or substitution of a person holding an ownership or membership interest in the hospital, and a previously unaffiliated person gaining or acquiring a controlling interest or controlling vote in the hospital.

CONVERSION TO FOR-PROFIT HOSPITAL FOR APPLICATIONS FILED BEFORE OCTOBER 1, 2014

The bill changes several aspects of the approval process for nonprofit hospitals seeking to transfer to for-profit entities. The new requirements apply to conversions where all parties are nonprofit except as noted below in the discussions of §§ 9 and 10.

§§ 2 & 3 — *Required Information in Application*

By law, prior to such a transaction, the parties must concurrently submit a CON determination letter, with specified information, to the commissioner and attorney general. The commissioner and attorney general must review the letter, with the attorney general determining whether the proposed agreement requires approval under the

nonprofit conversion law. If it does, they must give the parties an application for the transaction's approval, unless the commissioner refuses to accept the letter. Both the CON determination letter and the application are subject to disclosure under the Freedom of Information Act (FOIA).

The bill adds many items to the information the transacting parties must include in the application. It specifies that the current and newly required items are required as applicable; some of the new provisions do not specify whether the required information applies to the prospective purchaser, the hospital to be acquired, or both. Some of the provisions specifically refer to the new hospital, which the bill defines as the hospital as it exists after the approval of the agreement and the completion of the conversion.

Tables 1 through 4 below describe the required information, divided into general categories for ease of reference. Unless otherwise specified, references in the tables to the "five-year period" refer to the five years before the parties submitted the CON determination letter to the commissioner and attorney general.

By law, in addition to the items listed below, the application must include other information the attorney general or commissioner deem necessary to conduct their review under the nonprofit conversion law and the CON law.

Table 1: Contact Information and Other Corporate or Organizational Information, for Parties or Affiliated Entities

<i>Current Law</i>
Both parties' names and addresses
<i>Additions Under the Bill</i>
Both parties' telephone numbers
Name, address, telephone number, occupation, and tenure of officers, board members, trustees, executives, and senior managers during the five-year period
List of committees, subcommittees, task forces, or similar entities of the board of directors or trustees, including a short description of their purpose and their members' names, addresses, telephone numbers, occupations, and tenures
Articles and certificates of incorporation

Bylaws and organizational charts
Description of the organizational structure for each party and any partners, affiliates, "parent subsidiaries," or related corporate entities in which the purchaser has at least a 10% ownership interest
Current conflict of interest statements, policies, or procedures
Names and addresses of licensed health care facilities in which each party maintains an ownership or controlling interest or operating authority
Names of each party's current officers, directors, board members, or senior managers, whether or not they are expected to (1) maintain a position with the new hospital or (2) receive a salary; severance stock offering; or any financial gain, current or deferred, as a result of, or relating to, the proposed conversion
Copies of current notices of conflict of interest forms the parties submitted to auditors in connection with preparing financial statements in the one-year period before they submitted the CON determination letter, involving their officers; members of their board of directors or trustees; or senior managers, including medical directors (these must be submitted in a form acceptable to the attorney general)

Table 2: Documents Concerning the Proposed Conversion and Related Financial and Other Information

<i>Current Law</i>
Description of proposed agreement terms
Copies of all contracts, agreements, and memoranda of understanding relating to the proposed agreement
Fairness evaluation by an independent expert that includes an analysis of the criteria established by law for the attorney general's approval of the agreement
Documentation that the hospital being acquired exercised due diligence in deciding to transfer; selecting the purchaser; obtaining the fairness evaluation; and negotiating the terms and conditions of the transfer, including disclosing the terms of any other offers the hospital rejected and why it rejected these offers
<i>Additions Under the Bill</i>
Agendas and minutes for meetings of the board of directors or trustees and their committees, subcommittees, task forces, or similar entities related to the conversion, excluding those on peer review or confidential medical matters, for the five-year period, and at the attorney general's or commissioner's request, any documents distributed at these meetings
Names, addresses, and telephone numbers of professional consultants engaged in connection with the proposed conversion
Copies of audited income statements, balance sheets, other financial statements, and management letters issued during the five-year period, and to the extent they have been made public, audited interim financial and income statements with a detailed description of the proposed conversion's financing structure, including equity contribution, debt restructuring, stock issuance, partnership interest, stock offerings, and similar information
Detailed description of real estate issues, including title reports for owned property, lease agreements between the parties and any entity the purchaser owns or controls, and any proposed sale or leaseback concerning the proposed conversion

Detailed description of any proposed transaction concerning equipment leases, insurance, regulatory compliance, tax status, pending litigation or regulatory citations, pension plan descriptions and employee benefits, environmental reports, assessments, and organizational goals
Copies of any reports analyzing the proposed conversion by appraisers, accountants, investment bankers, actuaries, or other experts, prepared during the five-year period
Copies of any opinions or memoranda prepared for a party by attorneys, accountants, or other experts, addressing the proposed conversion's tax consequences
Description of how the price was determined including the valuation methods and data used and names and addresses of those who prepared these documents
Copies of all documents relating to identification of charitable assets; accounting of these assets for the five-year period; and their distribution, including endowments and restricted, unrestricted, and specific purpose funds as they relate to the proposed transaction
Description of the criteria the acquired hospital's board of directors used to pursue a conversion
Copies of any due diligence review reports performed by a party relating to the proposed conversion
Description of any requests for proposals issued by the acquired hospital in pursuit of a proposed conversion
Copies of any reports analyzing an affiliation, merger, or similar transaction a party considered during the five-year period, including those prepared by appraisers, accountants, investment bankers, actuaries, or other experts
Copies of any proposed contracts or descriptions of proposed contracts or arrangements with the "existing hospital's" senior managers, board members, officers, or directors for "severance consulting services" or covenants not-to-compete after completing the conversion
Copies or descriptions of any agreements or proposed agreements on current or future employment or compensated relationships between the purchaser or related entities and any officers, directors, board members, or senior managers of the acquiree hospital or related entities
Copies or descriptions of any agreements that each party has executed or anticipates executing in connection with the proposed conversion

Table 3: Information on Patient Statistics, Government Investigations, Uncompensated Care, Hospital Staffing, Health Care Services, and Related Topics

<i>Additions Under the Bill</i>
Patient statistics for the five-year period and patient projections for one year after submitting the CON determination letter, including patient visits, admissions, emergency room visits, clinical visits, visits to each hospital unit, admissions to in-hospital nursing care, and visits by affiliated home health care entities
List and description of any pending or adjudicated (1) citations, violations, or charges against a party or a facility a party owns or controls or (2) investigations involving a party brought by a governmental or accrediting agency in the five-year period, and each investigation's status or disposition
List of costs for uncompensated care (see definition below) provided by facilities owned or controlled by a party in the five-year period and a detailed description of how the amount was calculated

Description of uncompensated care provided by the existing hospital for the five-year period, including the dollar amount and services provided
Description of bad debt incurred by the acquiree hospital for the five-year period, for which payment was anticipated but not received
Description of the plan for the new hospital's provision of community benefit (see definition below) and uncompensated care during its first five years of operation
Description of the new hospital's plan to monitor and value uncompensated care and community benefits
Copies of staffing plans for the new hospital's first five years of operation
List of hospital units and medical, clinical, and administrative services to be maintained at the new hospital
Description of any unit and clinical, social, medical, or other service anticipated to be eliminated or significantly reduced at the new hospital
Description of (1) staffing levels for each employee category, including full-time, part-time, and contract employees employed by or providing services to the acquiree hospital and (2) anticipated changes in current staffing levels

Table 4: Other Financial Information

<i>Additions Under the Bill</i>
Copies of capital and operating budgets or other financial projections for the new hospital's first five years of operation
Copies of documents or descriptions of any proposed plans to create an entity for charitable assets, including endowments; restricted, unrestricted, and specific purpose funds; articles of incorporation; bylaws; mission statements; program agendas; board members' appointment methods, qualifications, and duties; and conflict of interest policies
Copies of Internal Revenue Service Form 990 (the tax return form for organizations exempt from income tax) for the five-year period, for any party required by federal law to file this form

As noted in Table 3 above, the bill requires the parties to report certain information concerning community benefits and uncompensated care. It defines "community benefit" as the provision of hospital services meeting the community's ongoing needs for primary and emergency care in a manner enabling community members to maintain relationships with family members or others hospitalized or receiving hospital services. The definition includes uncompensated care.

The bill incorporates the current definition of "uncompensated care" from the statutes on DPH's Office of Health Care Access (OHCA). Those statutes define uncompensated care as the total amount of charity care and bad debts determined by using the

hospital's published charges and consistent with the hospital's charity care and bad debt policies on file with OHCA. (It is unclear how this definition applies to parties who are not currently operating hospitals in the state and thus not required to file these policies.)

§ 3 — Notice of Deficiencies

The bill increases, from 20 to 60 days, the time the commissioner and attorney general have after receiving the application to provide written notice to the parties of any deficiencies. By law, the application is not deemed complete until these deficiencies are fixed.

§ 4 — Good Cause Extension for Decision on Application

By law, the attorney general and commissioner must make a decision on a completed application within 120 days of receiving it, unless the period is extended. The application is deemed approved if the commissioner and the attorney general do not issue a decision within the 120-day period, unless extended.

The bill allows the attorney general to extend the 120-day period if he determines there is reasonable cause to do so, including a pending federal investigation involving a transacting party.

Under existing law, the period can be extended if the attorney general, commissioner, and parties all agree. The deadline is tolled (delayed) for legal action taken by the attorney general to enforce a subpoena.

§ 4 — Conditions on Approval

The bill specifically allows the commissioner and attorney general, when approving an application, to place any conditions on their approval that relate to the purposes of the conversion law.

It allows the attorney general, after an application is approved, to halt or place specific conditions on the new hospital's sale, lease, or acquisition of real property if it is sold for more than its purchase price, after deducting the value of capital improvements. He also can require any moneys resulting from the sale to be deposited in a charitable trust closely related to the acquired hospital's purpose.

The bill also gives the attorney general authority to recover the proceeds of previous sales or leases involving property sold under these conditions. (It is unclear if this refers to transactions occurring before the conversion's approval.) It allows him to order the proceeds of the sale or lease to be (1) used for capital improvements to the new hospital or (2) deposited in a charitable trust closely related to the acquired hospital's purpose.

§§ 2, 5, 6 — *Affected Community*

Three provisions of the current conversion law refer to “affected community” but do not define that term. These include the following:

1. The attorney general must disapprove an application as not in the public interest if he makes certain determinations, including that a sum equal to the fair market value of the hospital's assets is not being used for any of specified purposes. One such permissible purpose is support and promotion of health care generally in the affected community.
2. The commissioner must disapprove an application unless she finds, among other things, that the affected community will be assured of continued access to affordable health care (CGS § 19a-486d).
3. The attorney general and commissioner must provide notice of the required public hearing at least 14 days before by publication in one or more general circulation newspapers in the affected community.

The bill defines “affected community” as a municipality (1) where the hospital is located or (2) whose inhabitants are regularly served by the hospital.

Current law requires at least one public hearing regarding the proposal to be held in the nonprofit hospital's primary service area. The bill instead requires one in its affected community.

§ 8 — *DPH License Authority*

The bill narrows the DPH commissioner's authority to take licensing actions against a hospital regarding unlawful transactions governed by the conversion law.

Currently, she can refuse to license a hospital or, if already licensed, suspend or revoke its license, if she finds after a hearing and an opportunity to be heard that:

1. the transaction occurred without the commissioner's approval, if required;
2. the transaction occurred without the attorney general's approval, if required, and he certifies to the commissioner that the transaction involved a material amount of the hospital's assets or operations or a change in control of operations; or
3. the hospital is not complying with the terms of an agreement approved by the attorney general and the commissioner pursuant to the conversion law.

The bill removes the commissioner's authority to suspend or revoke an already-issued license under these circumstances. It also removes her authority to take licensing action for noncompliance with the terms of an agreement approved by her and the attorney general.

§ 11 — *Independent Monitor*

The bill requires the for-profit purchaser, within 60 days after the conversion's approval, to provide funds for an independent health care access monitor for the new hospital. The DPH commissioner determines the amount.

Under the bill, the monitor must do the following, for five years after the conversion:

1. meet with hospital representatives and members of the community served by the hospital, at least quarterly;
2. report to the attorney general and commissioner, at least quarterly, on (a) the hospital's compliance with applicable state

laws and regulations, (b) the hospital's provision of community benefits and uncompensated care, (c) any real property sales, leases, or acquisitions by the hospital, and (d) a description of the hospital's efforts to comply with any conditions of the application's approval; and

3. report to the attorney general any reasonable belief that the hospital has breached, or intends to breach, a condition of the approval.

§ 12 — *Reimbursement for Grants In Lieu of Taxes*

Under the bill, when a conversion is approved during the assessment year for the municipality where the new hospital is located, the for-profit purchaser must reimburse the municipality for grants in lieu of taxes the town would have received for real property formerly owned by the nonprofit hospital, had the conversion not occurred. The reimbursement must cover the portion of the year after which the conversion was completed.

CONVERSIONS INVOLVING ONLY NONPROFITS

The current conversion law only applies to transactions involving a nonprofit hospital's sale or transfer to a for-profit entity. On and after October 1, 2014, hospital conversions in which all parties are nonprofits also need approval from the attorney general and commissioner. The bill creates two processes for nonprofit-only conversions: (1) a standard process and (2) an expedited process if the hospital to be acquired is in financial distress and certain conditions are met.

Under the bill, parties seeking a standard nonprofit-only conversion (but not an expedited conversion) must submit the same application as for conversions to for-profit.

Certain steps in the process for nonprofit-only conversions differ from conversions involving for-profit purchasers. These differences are explained below. The differences that apply to both the standard and expedited nonprofit-only processes are explained first, followed by the

differences that only apply to the expedited process.

§ 9 — Factors in Attorney General's Determination

Under existing law and the bill, for hospital conversions involving for-profit purchasers, the attorney general must disapprove the application as not in the public interest if he makes any of specified determinations. For conversions involving only nonprofits (both standard and expedited), the bill instead specifies several factors that he may consider. Those factors are described in Table 5.

Table 5: Factors for Attorney General's Consideration of Nonprofit-only Conversions

Whether the proposed conversion will harm the public's interest in trust property given, devised, or bequeathed to the parties for charitable, educational, or religious purposes located or administered in the state
Whether trustees of charitable trusts located or administered in the state are likely to be deemed to have exercised reasonable care, diligence, and prudence in performing as fiduciaries in connection with the proposed conversion
Whether the parties established appropriate criteria in deciding to pursue a conversion, in relation to their missions and purposes
Whether the parties considered the proposed conversion as the only, or the best, alternative in carrying out their missions and purposes
Whether there are conflicts of interest concerning the proposed conversion regarding the parties' members, boards of directors, officers, directors, or senior managers, or experts or consultants engaged in connection with the proposal
Whether the individuals described above were given contracts or consulting agreements or arrangements with pecuniary rewards based in whole or part on the contingency of completing the conversion
Whether the parties exercised due care in engaging consultants with appropriate independence, education, and experience in similar conversions
Whether the parties exercised due care in accepting assumptions and conclusions provided by consultants assisting in the proposed conversion
Whether the parties' officers, directors, board members, or senior managers are expected to receive future contracts
Whether the parties' board members are expected to retain authority in the new hospital
Whether the parties' board members accepted fair consideration and value for any management contract that was part of the proposed conversion
Whether the parties' officers, directors, board members, or senior managers engaged legal counsel to consider their individual rights or duties in acting in their fiduciary capacity in connection with the proposed conversion

Whether the proposed conversion is likely to result in a party abandoning its original purposes or whether the new hospital is expected to depart from a party's traditional purposes and missions such that a cy pres proceeding will likely be needed (under the "cy pres" doctrine, when an original charitable purpose becomes impossible or impractical to fulfill, the court substitutes charitable purposes that are as close as possible to the original)
Whether the proposed conversion is based upon appropriate and reasonable fair market value
Whether the proposed conversion is based upon appropriate valuation methods, including market approach, third-party reports, or fairness opinions
Whether the conversion is proper under state laws and regulations on nonprofit status
Whether the conversion is proper under state tax law
Whether the proposed conversion jeopardizes a party's tax status
Whether the parties' negotiators avoided conflicts of interest
Whether the parties' officers, board members, directors, or senior managers deliberately acted or failed to act in a manner that negatively affected the value or purchase price
Whether the parties are complying with state laws and regulations on charitable trusts

Factors in DPH Commissioner's Determination

For conversions involving a for-profit purchaser, existing law and the bill require the commissioner to deny the application unless she makes certain findings. It appears these provisions also apply under the bill to standard nonprofit-only conversions. The bill also specifies the factors that she must consider in her review of all nonprofit-only conversions (standard or expedited). Those factors are listed in Table 6 below.

Table 6: Factors for DPH Commissioner's Consideration of Nonprofit-Only Conversions

Whether the parties' character, commitment, competence, and community standing are satisfactory
Whether there are sufficient safeguards to ensure the affected community has continued access to affordable health care
Whether the parties have provided satisfactory evidence that the new hospital will provide health care and appropriate access for traditionally underserved populations in the community it will serve
Whether procedures or safeguards are likely to ensure ownership interests will not be used as incentives for hospital employees or physicians to refer patients to the hospital
Whether the parties have made a commitment to ensure the continuation of collective bargaining rights, if applicable, and workforce retention
Whether the parties have appropriately accounted for the new hospital's employment needs and addressed workforce retraining that may be needed due to any proposed restructuring

Whether the conversion demonstrates that the public interest will likely be served considering the essential medical services needed to provide safe and adequate treatment, appropriate health care access, and balanced health care delivery to the state's residents

§ 10 — EXPEDITED PROCESS FOR NONPROFIT-ONLY CONVERSIONS INVOLVING FINANCIALLY DISTRESSED HOSPITAL

Eligibility for Expedited Process

To qualify for the expedited process, each party must be a nonprofit Connecticut corporation that has directly or indirectly continuously operated at least one state-licensed hospital for three years. The hospital that will be acquired must operate a distressed hospital in the state facing significant financial hardship that may impair its ability to continue to operate effectively without the conversion. The commissioner must have determined it to be distressed based on any of the following criteria:

1. the hospital has operated at a loss for the two most recent fiscal years,
2. it has less than 50 days of cash-on-hand,
3. its current asset-to-liability ratio is less than 1.5,
4. its long-term debt to capitalization is greater than 75%,
5. it has an inpatient occupancy rate of less than 50%, or
6. it is or is likely to be classified as below investment grade by a major rating agency.

The application also must involve:

1. two or more hospitals that are not in common control with another hospital,
2. (a) one hospital not under common control with another hospital and (b) a hospital or hospital system parent corporation, or

3. (a) two affiliated hospitals whose conversion has been previously approved and (b) another hospital or hospital system parent corporation.

Application Information

To start the expedited process, the parties must first submit a CON determination letter, with the same information as required for other transactions. But the information the parties must submit with the subsequent application is less extensive than for other conversions, and in some cases covers a shorter time period. The required information is presented below in Tables 7 to 9.

Table 7: Corporate or Organizational Information, for Parties or Affiliated Entities

Charters and articles or certificates of incorporation for the parties and their affiliated hospitals, including any attachments to these documents
Bylaws and organizational charts for the parties and their affiliated hospitals
Description of the organizational structure of the parties and any partners, affiliates, parents, subsidiaries, or related legal entities in which a party has at least 10% ownership interest or control
Description of the parties' conflict of interest policies and procedures
Copies of current conflict of interest forms the parties submitted to auditors in connection with preparing financial statements in the year before they submitted the CON determination letter, involving their officers, members of the board of directors or trustees, or senior managers, including medical directors (these must be submitted in a form acceptable to the attorney general and commissioner)

Table 8: Documents Concerning the Proposed Conversion and Related Financial and Other Information

Detailed summary of the proposed conversion
All documents, including reports, meeting minutes, and those used for presentations, relevant to the boards' decision to propose the conversion
Copies of the parties' audited income statements, balance sheets, and other financial statements for the three-year period before they submitted the CON determination letter, and audited interim financial and income statements with detailed descriptions of the proposed conversion's financing structure, including equity contribution, debt restructuring, stock issuance, and partnership interests
Copies of all reports analyzing the proposed conversion by appraisers, accountants, investment bankers, actuaries, or other experts, prepared during the three-year period noted above

Copies of all documents relating to the parties' identification of charitable assets; an accounting of these assets for the three-year period; and distribution of these assets, including endowments and restricted, unrestricted, and specific purpose funds as they relate to the proposed conversion, for the three-year period

Table 9: Information on Health Care Services and Hospital Staffing

Description of the parties' plan as to how any affiliated hospitals intend to provide consolidated health care services in the first three years after the conversion
Description of hospital units and services the parties expect will be eliminated or significantly reduced during those three years
Description of anticipated staffing levels for each employee category during those three years

Public Notification and Input

The bill requires the commissioner and attorney general, within 20 business days after accepting an application eligible for expedited review, to notify the public of the application and present the public with an opportunity to comment. Unlike other conversions, it does not require the commissioner and attorney general to jointly publish a summary of the agreement in a general circulation newspaper in the hospital's area, within 25 days after getting the complete application.

As with other conversion applications, the bill requires the commissioner and attorney general to conduct at least one public hearing (§ 6).

Timeframe for Decision

The bill requires the commissioner and attorney general to render a decision on an expedited application within 90 days of accepting it, rather than 120 days as for other conversion applications. It appears the bill does not allow the 90-day period to be extended.

Attorney General Review

The bill requires the attorney general, when reviewing an expedited application, to determine its impact on the parties' charitable assets. In addition to the factors noted above for other nonprofit-only conversions, the bill also allows the attorney general to review any

other aspect of the application he considers appropriate.

Under existing law, the attorney general can contract with experts or consultants when reviewing a hospital conversion application, and can bill the purchaser up to \$500,000 for these services. The bill provides that, for expedited reviews, the attorney general is entitled to costs for his review of the application, subject to this \$500,000 limit.

It also limits the amount the attorney general and commissioner can charge the parties for the expedited review, to \$25,000 per \$100 million of the parties' total net patient services revenue in the most recent fiscal year for which audited financial statements are available.

Subpoena Authority

Existing law allows the attorney general and DPH commissioner, when reviewing the conversion agreement, to issue subpoenas and written interrogatories. The bill gives them this same authority for nonprofit-only conversions, except it appears to not give the commissioner this authority for conversions subject to the expedited process (see CGS § 19a-486d).

§ 14 — CERTIFICATE OF NEED FOR HOSPITALS' TERMINATION OF REPRODUCTIVE SERVICES

Existing law requires any hospital seeking to terminate inpatient or outpatient services to obtain a CON from OHCA. The bill explicitly requires this for hospitals seeking to terminate inpatient or outpatient reproductive services.

§ 15 — REPORTING REQUIREMENT

Current law requires each nonprofit short-term acute care general or children's hospital, in its annual report to OHCA, to report all transfers of assets or operations or changes of control involving clinical or nonclinical services or functions from the hospital to a for-profit entity. The bill extends this requirement to for-profit hospitals.

§ 17 — COMMISSIONERS' REVIEW OF HOSPITAL REGULATIONS

The bill requires the DPH and DSS commissioners to jointly (1) review their agencies' hospital regulations to determine whether any

should be amended or repealed to ensure that hospital profitability does not outweigh patient health and safety and (2) report their findings to the Public Health and Human Services committees by July 1, 2015.

BACKGROUND

Related Bill

HB 5257 (File 86), reported favorably by the Labor and Public Employees Committee, creates additional requirements that a nonprofit hospital and an entity seeking to convert it to a for-profit hospital must meet during the conversion process. It requires (1) the hospital and purchaser to enter into a memorandum of understanding that, among other things, requires the purchaser to recognize the hospital's unions and honor its collective bargaining agreements; (2) the hospital's host municipality to hold three public hearings at least 60 days before the parties start the conversion; and (3) the purchaser to submit to a five-year strategic plan detailing how its decisions to change the hospital's health care services could affect employment.

COMMITTEE ACTION

Public Health Committee

Joint Favorable Substitute

Yea 16 Nay 9 (03/25/2014)